

# **Plaintiffs' Exhibit 124**



## **Q3 Bidding & Predictions All Hands**

Confidential + Proprietary

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## Agenda

- DVAA strategy updates - Ali
- First Pricing improvements - Ehsan, Christophe
- fCPA - Victor
- Social and Q&A

# First pricing improvements

## Overview of bidding in DBM

- **Fixed bidding:** A fixed CPM bid provided by advertiser 70% OF SPEND
- **Favor Spend:** Maximize reward subject to budget 18% OF SPEND
  - Maximize conversions
  - Maximize clicks
  - Maximize video views [new]
  - Maximize impression 'value' [new]
- **Favor Goal:** Optimize while hitting average cost per value 8% OF SPEND
  - Target CPA
  - Target CPC
- **ActiveView CPM:** Fixed bid per ActiveView 4% OF SPEND

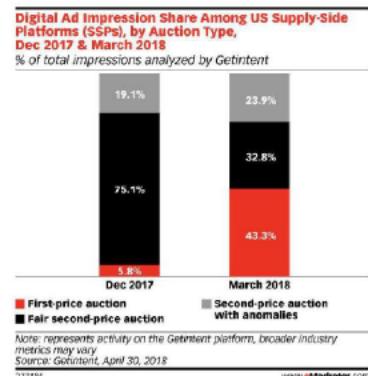
## Auction dynamics - non-second price auctions

- DBM buys on many third party exchanges which are deviating from 2nd price auctions.
- In a second price auction, the advertiser can bid the value it places on the impression without fear of overpaying.
- In unclean second-price auction, the optimal strategy would be to bid the lowest amount at which the advertiser still wins the impression.

Clean 2p: bidding lower than value will result in lost impressions  
Clearing price close to bid is a good indication that auction is unclean 2p

## Market shift to first price

- In fact, exchanges are openly moving more and more to first price auctions.
- This is necessary for them in order to compete in the header bidding auction controlled by publishers (first price).
- DSPs must adapt and protect advertisers from overpaying.



3PE declared auction type	DBM impression count (Aug 2018)
unspecified	45.6%
first price	30.8%
second price	23.5%

### Sources:

<https://www.emarketer.com/content/nearly-half-of-programmatic-impressions-are-sold-through-first-price-auctions>  
<https://pubmatic.com/wp-content/uploads/2017/08/PubMatic-UnderstandingAuctionDynamics.pdf>